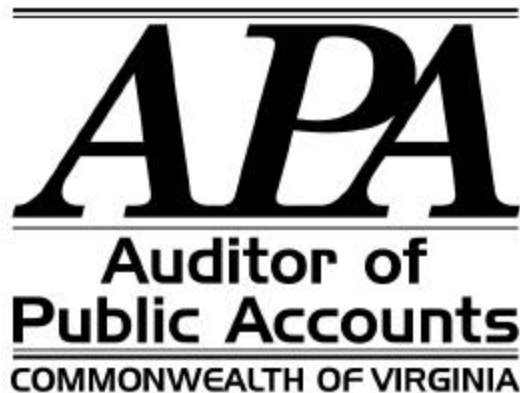


**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
JULY 1, 2001 TO SEPTEMBER 30, 2001**



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October 11, 2001

The Honorable Vincent F. Callahan, Jr., Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period July 1, 2001 through September 30, 2001.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom

EXECUTIVE SUMMARY

CHRISTOPHER NEWPORT UNIVERSITY

Administrative Systems Implementation Plan

In July 1997, the University purchased an integrated administrative system from PeopleSoft, Incorporated to ensure the University's systems were Y2K compliant. The implementation process fell behind and Executive Management decided to abandon PeopleSoft as the Y2K solution. Instead, Management reallocated resources to modify the current administrative system for Y2K readiness.

In October 1998, the University hired a new project manager and set a timeline for completing the PeopleSoft implementation by December 2002. To date, no part of the project has moved into production. Although the University has expended significant effort on the project, there is a lack of coordination among all parties involved.

We noted the following issues and problems that have caused the delay in implementing the project:

- Executive Management has not provided adequate oversight for the implementation project.
- The Project Manager does not manage at the appropriate level.
- Core Team members do not communicate with each other or the Project Manager.
- Project planning did not include firm target dates for the implementation phases and did not clearly define roles and responsibilities of individuals on various project teams.
- A detailed project budget for future implementation costs does not exist.

Executive Management must assume responsibility for the project and become directly involved in the decision making process. Executive Management should set accountability measures for the project team members and schedule periodic meetings with the Project Manager to assess project performance. The University must also develop a comprehensive project management plan that establishes measurable goals, realistic timelines, and comprehensive budgets.

We will continue to monitor the progress of the University's systems implementation through regular contact with the Project Manager. We will review control features in the new system before and shortly after the University moves the system into production.

DEPARTMENT OF CRIMINAL JUSTICE SERVICES

Document Relationship with Virginia Institute of Forensic Science and Medicine

The Virginia Institute of Forensic Science and Medicine formed on March 11, 1999 as a not-for-profit organization with private contributions of \$1.5 million. The Institute provides forensic training and educational opportunities in crime and death investigations. The Institute accomplishes this through training seminars, student fellowships, and research.

The Institute's governing Board includes the Director and the Forensic Science Division Director of the Department of Criminal Justice Services, and the Commissioner, and the Chief Medical Examiner of the Department of Health. The Institute has a very close working relationship with several state agencies, including the Departments of Criminal Justice Services and Health.

Both the Chief Medical Examiner and the Forensic Science Division Director also serve as co-directors of at the Institute. They, along with an Executive Director, manage the day-to-day operations of the Institute. The co-directors also serve as instructors and each receive salary supplements from the Institute. At the direction of the Board, the co-directors and with the Executive Director set the amount of the salary supplements as well as compensation amounts for instructors, students, and staff.

In fiscal 2001, the state appropriated \$1.5 million in general funds for use by the Institute. This funding will come through Criminal Justice Services and Health who were appropriated \$1 million and \$500,000, respectively for the Institute. Both departments provide administrative support to the Institute for accounting and payroll budgeting functions. In addition, the Institute shares space with the Criminal Justice Services' Forensic Science division and Health's Office of the Chief Medical Examiner. The Institute does not reimburse either agency for space or support services. The Executive Director estimates these in-kind contributions total approximately \$500,000 a year.

The Institute has five full-time employees including the Executive Director. Three of these employees are state employees while two others work as Institute employees. As of May 2001, the Institute has twelve students who are receiving paid fellowships to attend the Institute. The fellowship amounts range from \$18,000 to \$50,000 a year, depending on the area of specialization.

Recommendation

We recommend Criminal Justice Services, Health, and the Institute develop and document an agreement or memorandum of understanding that fully documents the relationship between the various entities. This is essential given the close relationship between the state and non-state entities and given the fact that the entities are sharing assets and resources. At a minimum, this agreement should address limits on salary supplements, methods of reimbursement, authority of the Executive Director and co-directors, and other matters concerning the sharing of resources, reimbursement of cost, and other incidental costs. The Institute Board and the respective agencies should approve the agreement.

NORFOLK STATE UNIVERSITY

Student Automated System Implementation

The University completed an accelerated implementation of its new student information system, but did not have time to properly assess, communicate, and correct deficiencies in the system's operational performance before processing live data. Selected users did not have adequate training and did not understand their responsibilities with the new system. The University also encountered data conversion and interfacing problems between this new client server system and the existing mainframe general ledger system.

These factors contributed to several important issues contained in this report. These issues include inefficient manual processes and a lack of detailed knowledge about some of the new system's functionality. Management did not identify and use several features of the new system to provide information that would

reduce these inefficient manual processes. We identified the following problems related to the new student system:

- The University allowed students to re-enroll for classes without clearing their debts from previous semesters. Also, students with no prior debts officially registered for classes without meeting established payment requirements. University policy prohibits these practices.
- The University reported an increase in student accounts receivable from \$1.3 million in 1999 to \$3.5 million in 2000. Management did not analyze the causes for this increase until auditors requested this information eight months subsequent to year 2000 closing. Sound management practices include analyzing account balances to determine reasons for significant changes. Student accounts receivable reported on the university's system have increased to \$4.7 million as of June 30, 2001.
- The new student system decentralized the registration process and allowed departments to register students and process class changes. Management did not completely develop and distribute adequate procedures to ensure all departmental personnel involved in registration understand the process. This lack of knowledge caused many errors in the registration process and greatly increased the workload of the Student Accounts and Financial Aid Offices in determining the student's account balance.
- The General Accounting department did not properly reconcile the main local bank account. Approximately 250 reconciling items, some up to 24 months old, remained unresolved 12 months after year-end. Many of the reconciling items resulted from responsible persons not understanding how the cash receipts module's automated interface with the general ledger system worked.

Although this audit examined the financial statements for the year ended June 30, 2000, we continued to examine and test internal control and other processes through the end of our work in July 2001. The comments contained in the "Internal Control and Compliance Findings and Recommendations" section of this report reflect issues that University management must address as of the date of this audit report.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period July 1, 2001 through September 30, 2001. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Executive Departments

Executive Offices

Division of Selected Agency Support Services, for the year ended June 30, 2001
Governor's Cabinet Secretaries for the year ended June 30, 2001
Office of the Attorney General for the year ended June 30, 2001
Office of the Governor for the year ended June 30, 2001
Office of the Lieutenant Governor for the year ended June 30, 2001

Commerce and Trade

Department of Forestry for the period July 1, 1998 through February 28, 2001
Virginia Racing Commission for the year ended June 30, 2001

Education

Virginia Commission for the Arts for the period January 1, 1999 through June 30, 2001
Virginia Community College System for the year ended June 30, 2000*

Colleges and Universities

Christopher Newport University for the year ended June 30, 2000*
Norfolk State University for the year ended June 30, 2000*
Old Dominion University, Intercollegiate Athletic Programs for the year ended June 30, 2000*

Natural Resources

Department of Historic Resources for the period July 1, 1998 through December 31, 2000
Potomac River Fisheries Commission for the year ended June 30, 2000
Virginia Marine Resources Commission for the two-year period ended June 30, 2000

Public Safety

Department of Corrections and Virginia Parole Board for the year ended June 30, 2000*
Department of Criminal Justice Services for the year ended June 30, 2000 *

Technology

Department of Information Technology, Service Organization Review, Report on Policies and
Procedures Placed in Operation and Tests of Operating Effectiveness as of March 31, 2001*

Clerks of the Circuit Courts

Cities:

City of Bristol for the period October 1, 1999 through September 30, 2000
City of Charlottesville for the period October 1, 1999 through March 31, 2001*
City of Colonial Heights for the period January 1, 2000 through March 31, 2001*
City of Danville for the period October 1, 1999 through March 31, 2001
City of Fredericksburg for the period January 1, 2000 through March 31, 2001
City of Lynchburg for the period October 1, 1999 through December 31, 2000 *
City of Martinsville for the period October 1, 1999 through March 31, 2001
City of Virginia Beach for the period October 1, 1999 through March 31, 2001
City of Waynesboro for the period October 1, 1999 through March 31, 2001

Counties:

County of Accomack for the period October 1, 1999 through March 31, 2001*
County of Arlington for the period October 1, 1999 through March 31, 2001*
County of Botetourt for the period October 1, 1999 through September 30, 2000
County of Buchanan for the period October 1, 1999 through December 31, 2000
County of Caroline for the period October 1, 1999 through March 31, 2001*
County of Carroll for the period July 1, 1999 through December 31, 2001
County of Charlotte for the period October 1, 1999 through March 31, 2001*
County of Dickenson for the period October 1, 1999 through December 31, 2000*
County of Essex for the period January 1, 2000 through March 31, 2001*
County of Fairfax for the period September 1, 1998 through March 1, 2001*
County of Fluvanna for the period October 1, 1999 through March 31, 2001
County of Goochland for the period October 1, 1999 through March 31, 2001
County of Greenville for the period October 1, 1999 through March 31, 2001*
County of Highland for the period October 1, 1999 through December 31, 2000
County of Lee for the period January 1, 2000 through December 31, 2000
County of Lunenburg for the period October 1, 1999 through March 31, 2001
County of Prince Edward for the period October 1, 1999 through March 31, 2001
County of Prince William for the period July 1, 1999 through March 31, 2001*

Clerks of the Circuit Courts (cont.)

Counties:

County of Richmond for the period October 1, 1999 through March 31, 2001
County of Russell for the period January 1, 2000 through December 31, 2000
County of Southampton for the period October 1, 1999 through March 31, 2001*
County of Spotsylvania for the period January 1, 2000 through March 31, 2001*

General Receivers

Cities:

City of Alexandria for the period July 1, 1999 through June 30, 2000
City of Lynchburg for the period July 1, 1999 through June 30, 2000

Counties:

County of Arlington for the period July 1, 1999 through June 30, 2000
County of Buchanan for the period July 1, 1999 through June 30, 2000
County of Lee for the year ended June 30, 2001
County of Wise and City of Norton for the year ended June 30, 2001 *